

EXHIBIT 1

DATE 1/25/11

HB Commerce

1/24/2011

Montana Department of Commerce

## Business Resources Division

Appropriations Joint Subcommittee  
on General Government  
January 25, 2011

Andy Poole, Division Administrator

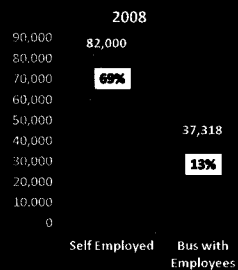
### Functions of department of commerce

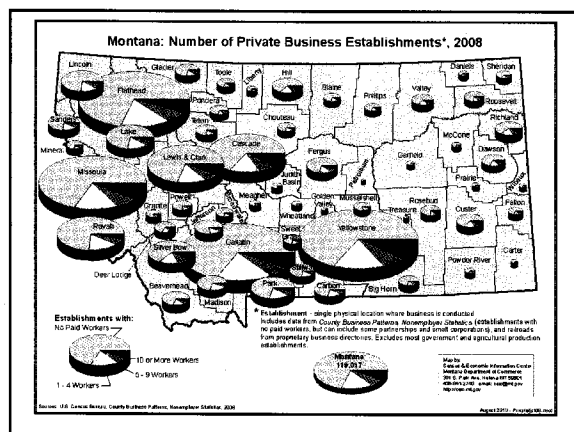
- Help communities get new business
- Help communities expand existing business
- Study and promote markets for Montana products
- Provide training and technical assistance to small businesses
- Provide information about economic sectors in Montana
- Promote and enhance economic opportunities on Montana Indian reservations

### What do Montana Businesses look like?

private  
business  
establishments  
2008,

self-employed -  
no employees  
businesses with  
employees






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**Montana is rated #1 in small business ownership in the U.S.**

**Montana has the highest business creation rate per 1,000 workers in the U.S.**

**Over 7,000 Montanans started new businesses in 2008**

Source: U.S. Census Bureau, County Business Patterns, Nonemployer Statistics, 2008. Prepared by...

SeaCast of Montana – Titanium Foundry

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**What's going on?**

Independent spirit – do my own thing

“Necessity” Entrepreneurs – create your own job to stay in Montana or move back to Montana

Communities attracting people as a strategy for economic development

Kids who moved away

Newcomers interested in rural lifestyle

It's now possible to succeed from a very rural location – electronic services/marketing/UPS

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...What you didn't learn in school.

#### BUSINESS DESCRIPTION

- A. Type of Business
- B. Location/Ownership
- C. Key Players/Management
- D. Products/Services Offered
- E. Markets/Customers Served
- F. Distribution of Products/Services

#### MARKETING

- A. Products/Services Differentiation
- B. Industry Profile
- C. Competitive Analysis
- D. Market Demographics/Size
- E. Target Market/Customs Profile
- F. Marketing Strategy/Market Share

#### OPERATING AND CONTROL SYSTEMS

- A. Personnel
- B. Production/Service Methods
- C. Quality Control
- D. Facilities

#### OPERATING AND CONTROL SYSTEMS cont.


- E. Suppliers
- F. Recordkeeping Policies and Procedures
- G. Billing and Collection

#### FINANCIAL INFORMATION

- A. Historical Financial Statements
- B. Current Balance Sheet
- C. Pricing Strategy/Gross Profit Margin
- D. Breakdown Analysis
- E. Projected Cash Flow Spreadsheet
- F. Forecasting Assumptions
- G. Risk Analysis and Alternative Plans of Action

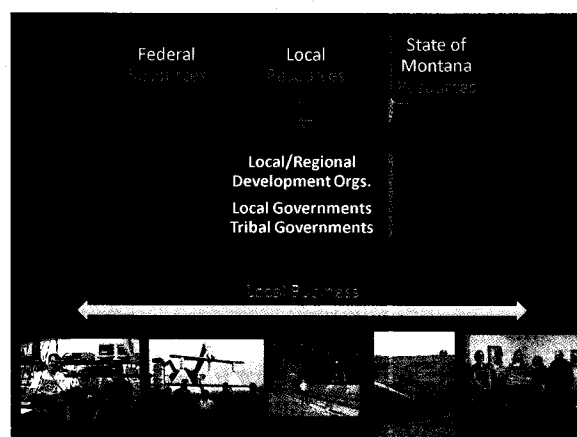
#### FINANCING

- A. Amount, Purpose of Request, Collateral
- B. Sources and Use of Funds
- C. Repayment Plan
- D. Debt Repayment Contingency Plan



**Service Delivery**  
*Local/Regional Development Organization*  
(MCA 90-1-116 and MCA 15-35-108)

Missoula



### Technical Assistance

- Main Street
- Small Business Development Centers
- Marketing/Made-in-Montana
- Export Trade
- Technology Innovation

### Finance

- Workforce Training
- Indian Country Economic Development
- Big Sky Economic Development
- Community Development Block Grant
- Research & Commercialization
- Microbusiness Finance
- Wood Products Revolving Loan Fund

### Information

- Census & Economic Information Center
- State-Tribal Economic Development Commission

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### Technical Assistance

## Main Street (MCA 90-1-151)

DE 3003, New Proposal (Q00) - \$125,000/year (funded through DE)

**Purpose:** (MCA 90-1-151) stimulate business investment, strengthen tax base, create jobs, improve economic viability, historic restoration

**Training and technical assistance to Cities and Towns in the areas of organization, promotion, design, economic restructuring**

- Improved buildings, facades
- New businesses and jobs
- Expanded tax base
- More efficient growth - alternative to sprawl
- Increased public and private investment
- Preservation of historic resources
- Improved downtown and community image
- New and improved events to bring fun and foot traffic downtown

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### Technical Assistance

## Main Street cont.

- Anaconda
- Hardin
- Stevensville
- Butte
- Billings
- Glasgow
- Glendive
- Kalispell
- Lewistown
- Libby
- Shelby
- Sheridan
- Townsend
- Whitehall
- Terry

### Results 2009

- 15 communities and growing
- 24 Businesses
- 70 new jobs created
- 83 building and street improvements
- \$1,471,407 in improvements

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Technical Assistance

## Small Business Development

Small Business Development (MCA 15-35-108)

Not the Oilfield Service

**Purpose:** Provide training and technical assistance to new and existing small business

- Business plan development, financial management, market feasibility
- Low-cost training in business start-up, marketing, taxes, and cash flow analysis

**Performance in 2009**

- 2,166 clients trained
- 1,256 clients provided one to one counseling
- 7,849 counseling hours
- \$80,532,537 dollars loaned to clients after counseling

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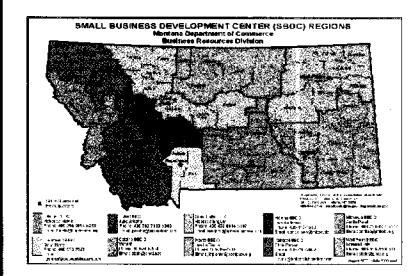
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Technical Assistance

## Small Business Development Centers cont.




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Technical Assistance

## Export Trade

Export Trade (MCA 15-35-108)

**Purpose:** Provide technical assistance to small and medium sized companies to

- Identify and sell into new markets
- Manage foreign sales networks more effectively
- Determine payment and financing options
- Comply with export reporting and licensing requirements
- Comply with foreign customs regulations
- Handle shipping and logistical issues

Identify and develop new foreign and domestic markets for agricultural products

Promote Montana as a tourism destination for Asian travelers

Manage trade offices in Japan and Taiwan (Canada largest trading partner, Japan 2<sup>nd</sup>, Taiwan 3<sup>rd</sup>)

Protocol Office for State of Montana




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Technical Assistance

## Export Trade



### Why Trade?

- 95% of consumers live outside U.S.
- Exporting results in market diversification reducing risk
- Exporting companies pay higher wages

### Performance

- \$1,477,492,274 Montana exports in 2009 (\$796 mill in 2000)
- 900 Montana firms sell outside the U.S.
- 896 trade/export counseling sessions

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Technical Assistance

## Marketing Assistance

MCA 30-17



Purpose: provide marketing assistance to Montana companies helping them to sell their products

Made-in-Montana promotional campaigns

- Billboards, airport displays
- Online products directory

Made-In-Montana Marketplace

- annual trade show allowing MIM companies to sell products to wholesale buyers

Trade Show Assistance Program

- counseling, training, and assistance in national trade shows
- Matching funds of up to \$2,000 for qualifying companies to pay for trade show costs – not travel

Business to Business marketing consultation

- performing strategic B2B marketing analyses (Not retail marketing)

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Technical Assistance

## Marketing Assistance cont.

MCA 30-17



### Performance:

- 12 companies provided strategic B2B marketing assistance
- 10 marketing workshops conducted around Montana
- 46 marketing consultations and company visits
- 20 Montana companies participated in our of state trade shows
- 1,796 MIM program registered participants
- 1,468 MIM online product participants

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## Technical Assistance

## Technology Innovation (MCA 15-35-108)

**Purpose:** Provide consulting services to technology based businesses and researchers so they can

Be approved for part of over \$1 billion/yr. that 10 federal agencies grant for research and commercialization proposals

Learn about patenting and licensing their product/process so that their intellectual property is protected

Develop commercialization strategies

Performance

65 companies have received awards since 2000

51 (78%) companies received direct assistance from program

326 federal awards to Montana companies since 2000

32 per year average (average of 8 per year prior to program)

\$85,359,799 in commercialization funding awarded to Montana companies since 2000

Land F&G Healthy Soil Systems

## Finance

## Economic Development

(MCA 90-1-2)

**Purpose:** create good paying jobs, promote economic growth, encourage local development organizations, retain and expand existing businesses, provide for a better life for future generations, and encourage workforce development

Coal Tax Trust Fund (Sub-Trust)

seeded with \$20 million in 2005,

balance is now about \$48 million

Interest spent on qualifying activities (approximately \$2.2 million FY10)

**Category I: Job Creation Projects - 75% of earnings**

- awarded to local and tribal governments
- assist businesses in creating net new eligible

**Category II: Planning Grants - 25% of earnings**

- awarded to Certified Regional Development Corporations, tribal governments and other qualified economic development organizations
- planning activities (business plans, feasibility studies, preliminary architectural and engineering reports)

## Finance

## Big Sky Economic Development Trust Fund cont.

Qualifications:

Primary Sector jobs - 40% or more of sales outside Montana

Jobs must pay at least the average county wage not including benefits

Up to \$5,000 per new employee (\$7,500 in high poverty counties; > 14%)

\$1 match for each \$1 awarded

Demonstrate that the business is financially feasible

Create at least one new job

Can be used for the purchase of land, building or equipment, lease rate reductions, relocation costs, and employee training

Performance since inception

\$4.9 million in 17 Projects

\$629.8 million project investment

862 new jobs

\$53,558 average wage

\$1.9 million per year State income tax revenue


\$424.5 million construction

\$134.8 Million equipment

\$4.5 million in added property tax

**Finance**

### Board of Research & Commercialization Technology



(MCA 90-3, MCA 2-15-19, MCA 15-35-108)

**Purpose:** Provide a predictable and stable source of funding for research and commercialization, expand research efforts for industry, and strengthen the state's economic security through the creation of long-term, quality businesses and jobs

Statutory appropriation of \$1.275 million (\$3.65 million 2013 –2019)

Six member Board that reviews applications annually

Board criteria for projects;

- Has potential to diversify or add value to a traditional basic industry,
- Shows promise for enhancing technology-based sectors or commercial development of discoveries,
- Employs existing research and commercialization strengths,
- Has a realistic and achievable project design,
- Employs an innovative technology,

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**Finance**

### Board of Research & Commercialization Technology cont.



(MCA 90-3, MCA 2-15-19, MCA 15-35-108)

*Good Technology criteria:*

- Is located in the state,
- Has a qualified research team,
- Has scientific merit based on peer review, and
- Includes research opportunities for students.

**Performance –**

- 181 projects funded since 1999
- Grants Awarded - \$37 million
- Matching Funds - \$42 million
- Follow-On Funding - \$230 million (dollars secured after funding by the Board)
- The program has attracted more than \$284 million to Montana

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**Finance**

### Microbusiness Finance Program (MCA 17-6-4)

**Purpose:** ... encourage and assist in the creation, development, and financing of businesses with fewer than 10 full-time equivalent employees and gross revenue of less than \$1 million per year

Originally authorized in 1991

Appropriation from the Coal Tax Trust Fund

Microbusiness Development Corporations located in Missoula, Havre, Butte, Wolf Point, and Helena

\$4.7 million loan fund

\$3,757,069 currently lent to the Microbusiness Development Corporations

MBDC's lend to private businesses – their funds must be matched and lent together with state funds

Loan up to \$100,000 for working capital, equipment and other fixed assets

Business must meet local lending criteria

**Performance:**

- Managed loans and reporting from the five MBDC's
- In the process of issuing an RFP for additional MBDC's
- Purchased and coordinated loan documentation and servicing software license agreements for MBDC's and other local development corporations
- MBDC's helped retain and create 85 jobs in FY10.

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**Finance**

**Montana Revolving Loan Fund**

**Pyramid Mountain Lumber**

MCA 90-1-5

**Purpose:** "Due to the well documented decline in the wood products industry, the legislature finds that there is a need to assist the Montana wood products industry through a revolving loan fund"

**Loan Fund of \$11.3 million**

- Authorized in HB669 in 2009 session
- \$7.5 million statutory appropriation in HB645
- Department applied for and received \$2.7 million EDA grant
- Department dedicated \$1.5 million in CDBG funding

20 companies borrowed \$11.295 million from fund

Missoula Area Economic Development Corporation purchased receivables from 14 additional companies that were owed \$ by Smurfit Stone Container when they filed for bankruptcy

As loans are repaid they can be lent throughout the State

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**Finance**

**Wood Products Revolving Loan Fund cont.**

MCA 90 1-5

**Performance -**

- 779 wood products jobs retained or created
- \$33,786 average wages for all employees
- 19 of 20 companies still operating
- A critical industry saved??




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**Finance**

**Montana Revolving Loan Fund**

**New Venture Fund**

MCA 90-1-5

**Purpose:** stimulate economic development activity by assisting businesses in creating or retaining jobs for low and moderate income persons

- loans to businesses for acquisition, construction, installation, or rehabilitation of commercial and industrial buildings, facilities, equipment, or working capital
- assist businesses in providing needed skills and better-paying jobs for their workers
- may be used to build infrastructure such as water, sewer, streets or sidewalks in support of businesses
- Fixed rate financing at 5% currently
- Will take a junior collateral position to banks

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**Finance**

### Community Development Block Grants cont.



Local governments are the eligible applicants - lend funds to for-profit businesses

Repayments are kept locally and revolved into other business loans

Up to \$400,000 per local government per program year

\$1 to \$1 matching funds requirement

**Status**

- Helped create/retain over 4,600 jobs since 1987
- Over half of jobs created held by low- and moderate-income persons
- Leveraged 7:1 in private and public funding

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**Finance**

### Primary Sector Workforce Training (MCA 39-11)



**2015-2017 New Proposal: \$10.7 million/biennium**  
\$5,063,390 appropriated for the current biennium

**Purpose:** (MCA 39-11) Meet the training needs of existing industries in the state and provide incentives to businesses to locate and expand within the state

Primary sector companies – 50% of sales out of state

Up to \$5,000 in training funds for each new job created

\$1 to \$1 match

*Montana's largest workforce training program, providing a wide range of training opportunities*

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**Finance**

### Primary Sector Worker Training cont.



**Performance**

- 25 companies awarded \$8.1 million for training since 2005.
- \$2.7 million invested in projects.
- 93% of companies began operations in Montana in 2004 or later.
- 74,471 jobs created - \$1,091.1 million in wages
- \$6.5 million in annual state income tax.
- \$127.5 million in construction, 1,120 construction-related jobs.
- 8 new buildings were constructed, adding \$60.8 million to the taxable base.
- \$60.8 million was spent on equipment (\$20 million Montana-made products and services).
- 12 of the 25 companies are partnering with Montana's higher educational institutions to conduct the needed training

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**Finance**

**Indian Country Economic Development cont.**

*Performance since 2005*

Funded since 2005

**Purpose:** Stimulate economic development on our reservations by supporting new business development and job creation.

**Three primary activities**

**Tribal Nations Economic Development (\$560,000)**

- \$70,000 per tribe
- Priority economic development projects

**Indian Equity Fund for Individual Business Owners (\$126,000)**

- \$7,000 per successful applicant
- Native-owned business owner
- 17 Awards

**Indianpreneurship™ Business Training (\$24,000)**

- \$3,000 per tribe
- Training conducted locally on each reservation

**S&K Tribal Nursery**




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**Finance**

**Indian Country Economic Development cont.**

*Performance since 2005*

\$3 million leveraged = \$22 million of other funds

156 jobs created/retained


655 business owners trained

55 businesses received grants

94% of those businesses are still operating

31% have received loans from commercial banks

**April Custer - IEF**




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**Finance**

**Indian Country Economic Development cont.**

*Why should we do this?*

Higher unemployment on reservations – 2X to 3X


Highest poverty rates in State

Lower per capita income

Lower wages

Smaller private sector

**ARS Diversified Fort Peck**




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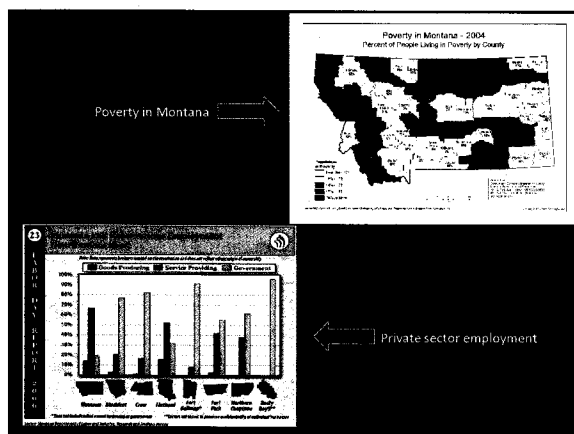
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Finance

Indian Country Economic Development cont.

A&S Diversified Fort Rock

County	TANF *	Rank	SNAP *	Rank
Big Horn	8.08%	2	28.12%	3
Blaine	0.12%		20.67%	5
Glacier	6.62%	3	34.14%	1
Pondera	1.9%	5	15.29%	
Roosevelt	8.21%	1	30.47%	2
Rosebud	5.58%	4	21.47%	4
MT	1.00%		10.99%	

\*Temporary Assistance for Needy Families (TANF) Supplemental Nutrition Assistance Program (SNAP)

Information

Census & Economic Information Center (MCA 90-1-109)

**Purpose:** (MCA 90-1-109)...establish and maintain a central depository of information...concerning the significant characteristics of the state, its people, economy, land, and physical characteristics...analyze and disseminate such information to state, federal, and local agencies and to the general public.

Since 1978 - Official repository of Montana Census data


Memorandum of Understanding with U.S. Census Bureau

Critical information for citizens, business, and government

- Decennial census dissemination (economic and demographic information)
- Client research services
- Market analysis
- Facility planning
- Legislative districting
- Federal funds access

**Information**

## Census & Economic Information Center (MCA 90-1-109)



Performance:

- Provided significant assistance to the U.S. Bureau of the Census in promoting and carrying out the decennial census in Montana
- Provided workshops around the state attended by 2,026 people
- Provided research and results on 606 data requests
- 384 152 web site sessions for data retrieval, review and analysis
- CEIC continues to work on mapped boundaries of county voting precincts with the Legislative Services Division.
- CEIC staff helped 93 unincorporated areas become Census Designated Places, (allows for collection and dissemination of demographic and economic information for these areas)

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**Information**

## Indian Affairs, Economic Development Commission (MCA 90-1-131)

Purpose: (MCA 90-1-131) Assisting, promoting, encouraging, developing, and advancing economic prosperity and employment on Indian reservations in Montana.

**11 member Commission**

- One member from each reservation in Montana and one member from the Little Shell Tribe
- Coordinator of Indian Affairs
- One member from the Montana Department of Commerce
- One member from the Governor's Office of Economic Development

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**Information**

## State-Tribal Economic Development Commission (MCA 90-1-131)

**Specific Activities of the Commission**

- Research and evaluate resources for economic development on Montana Indian reservations
- Assess the economic development needs and priorities of each Indian reservation
- Assist tribal governments in applying for funds at the federal, state, and local levels
- Act as a forum for each Tribal nation to discuss economic development opportunities and challenges for their people
- Meet with the State of Montana to provide advice on economic development on Montana's Indian reservations
- Provide advice to the Montana Department of Commerce on its programs and how they can best be delivered in Indian country

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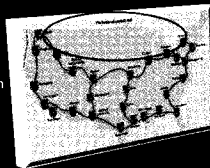
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## Supercomputer

Great American  
Supercomputing DesertDP 5112 - High Performance  
Computing \$500,000 per annum

## Purpose:

- Improve the state's technology infrastructure
- Improve the state's competitive position
- Improve the state's economy
- Bring opportunities to an emerging workforce
- Help bring Montanans and their businesses home
- Promote public/private partnerships



\$2 million appropriation during the current biennium

Handled under contract with a private non-profit corporation

\$500,000 request for the 2013 biennium

Self-sustaining thereafter

## Budget Decision Packages

## Business Resources Division

DP 5101 - BPD Primary Business Sector Training (PBT)

\$2 million/biennium

Funded since 2005

Current biennium funding is over \$5 million (\$3 million dollar reduction)

DP 5102 - BPD Industrial Sector Training (IST)

\$1.6 million for biennium

Funded since 2005

DP 5103 - BPD Micro Small Business Program (MSBP)

\$250,000 for biennium

Funded since 2005

## Budget Information and Decision Packages

DP 5103 - BPD Administrative Costs Adjustment

**GF increase of \$1,114 in FY12; GF increase of \$2,537 in FY13**

\$70,000/yr - rate to collect payment to collect registration and pay for NDC training in Montana for economic development finance professionals. Saves up to \$4,000 per registrant by allowing them to take training in-state

\$2 million per year - rate to allow authority to be able to re-lend funds to Microbusiness Development Corporations when funds are repaid.

\$154,000 FY12/\$493,000 FY13 - rate to allow authority for EDA/CDRG wood products revolving loan funds to be able to re-lend funds

DP 5109 - BPD Federal Grants Adjustment

\$1.8 million in additional authority for Community Development Block Grants

DP 5112 - High Performance Computing

\$250,000 per year for operating costs

Questions?



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